

Government of India  
Ministry of Commerce & Industry  
Department of Industrial Policy & Promotion  
(FC Section)

**PRESS NOTE NO. 4 (2006 Series)**

**Subject: Rationalisation of the FDI Policy**

The policy on Foreign Direct Investment (FDI) has been reviewed on a continuing basis and several measures announced from time to time for rationalization / liberalization of the policy and simplification of procedures.

2. Government of India has recently further reviewed the policy on FDI and decided as under:
  - a. To allow under the automatic route, FDI up to 100%, for :
    - i. distillation & brewing of potable alcohol;
    - ii. manufacture of industrial explosives;
    - iii. manufacture of hazardous chemicals;
    - iv. manufacturing activities located within 25 kms of the Standard Urban Area limits which require Industrial license under the Industries(Development & Regulation)Act, 1951;
    - v. setting up Greenfield airport projects;
    - vi. laying of Natural Gas/LNG pipelines, market study & formulation and Investment financing in the Petroleum & Natural Gas sector; and
    - vii. cash & carry wholesale trading and export trading.
  - b. To increase FDI caps to 100% and permit it under the automatic route for:
    - i. coal & lignite mining for captive consumption;
    - ii. setting up infrastructure relating to marketing in Petroleum & Natural Gas sector; and
    - iii. exploration and mining of diamonds & precious stones.
  - c. To allow FDI up to 100% under the automatic route in
    - i. power trading subject to compliance with Regulations under the Electricity Act, 2003;
    - ii. processing and warehousing of coffee and rubber.

- d. To allow FDI up to 51 % with prior Government approval for retail trade of 'Single Brand' products, detailed guidelines for which have been notified vide Press Note 3 (2006 Series).
  - e. To allow under the automatic route transfer of shares from residents to non-residents in financial services, and where Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations are attracted, in cases where approvals are required from the Reserve Bank of India/ Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations /Insurance Regulatory & Development Authority. With this, transfer of shares from residents to non-residents, including acquisition of shares in an existing company would be on the automatic route subject to sectoral policy on FDI.
  - f. To dispense with the requirement of mandatory divestment of 26% foreign equity in B2B e-Commerce.
3. FDI/NRI investment under the automatic route shall continue to be governed by the Sectoral regulations/licensing requirements.
4. A summary of the FDI policy and regulations applicable in various sectors / activities is at the Annex.

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F, No. 5(3)/2005-FC dated 10 -2-2006

**Policy on Foreign Direct Investment (FDI)**

**I. Sectors prohibited for FDI**

- i. Retail trading (except Single Brand Product retailing)
- ii. Atomic energy
- iii. Lottery business
- iv. Gambling and Betting .

**II. All Activities/ Sectors would require prior Government approval for FDI in the following circumstances:**

- i. where provisions of Press Note 1(2005 Series) are attracted;
- ii. where more than 24% foreign equity is proposed to be inducted for manufacture of items reserved for the Small Scale sector.

**III. In Sectors/Activities not listed below, FDI is permitted up to 100% on the automatic route subject to sectoral rules / regulations applicable.**

**IV. Sector-specific policy for FDI**

<u>S.N</u>	<u>Sector/Activity</u>	<u>FDI Cap / Equity</u>	<u>Entry Route</u>	<u>Other conditions</u>	<u>Relevant Press Note issued by D/o IPP</u> <a href="http://www.dipp.gov.in">www.dipp.gov.in</a>
1.	<b>Airports-</b>				
a.	Greenfield projects	<b>100%</b>	Automatic	Subject to sectoral regulations notified by Ministry of Civil Aviation <a href="http://www.civilaviation.nic.in">www.civilaviation.nic.in</a>	<a href="#">PN 4 / 2006</a>
b.	Existing projects	<b>100%</b>	FIPB beyond 74%.	Subject to sectoral regulations notified by Ministry of Civil Aviation <a href="http://www.civilaviation.nic.in">www.civilaviation.nic.in</a>	<a href="#">PN 4 / 2006</a>
2.	<b>Air Transport Services</b>	<b>49%- FDI; 100%- for NRI investment</b>	Automatic	Subject to no direct or indirect participation by foreign airlines. Government of India Gazette Notification dated 2.11.2004 issued by Ministry of Civil Aviation <a href="http://www.civilaviation.nic.in">www.civilaviation.nic.in</a>	.
3.	<b>Alcohol Distillation &amp; Brewing</b>	<b>100%</b>	Automatic	Subject to license by appropriate authority	<a href="#">PN 4 / 2006</a>

4.	<b>Asset Reconstruction Companies</b>	<b>49% (only FDI)</b>	FIPB	Where any individual investment exceeds 10% of the equity, provisions of Section 3(3)(f) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 should be complied with. <a href="http://www.finmin.nic.in">www.finmin.nic.in</a>	
5.	<b>Atomic Minerals</b>	<b>74%</b>	FIPB	Subject to guidelines issued by Department of Atomic Energy vide Resolution No. 8/1(1)/97-PSU/1422 dated 6.10.98.	
6.	<b>Banking - Private sector</b>	<b>74% (FDI+FII)</b>	Automatic	Subject to guidelines for setting up branches/ subsidiaries of foreign banks issued by RBI. <a href="http://www.rbi.org.in">www.rbi.org.in</a>	<a href="#">PN 2 / 2004</a>
7.	<b>Broadcasting</b>				
a.	FM Radio	FDI +FII investment up to <b>20%</b>	FIPB	Subject to Guidelines notified by Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	<a href="#">PN 6 / 2005</a>
b.	Cable network	<b>49% (FDI+FII)</b>	FIPB	Subject to Cable Television Network Rules (1994) Notified by Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	
c.	Direct-To-Home	<b>49% (FDI+FII).</b> Within this limit, FDI component not to exceed 20%	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	
d.	Setting up hardware facilities	<b>49% (FDI+FII)</b>	FIPB	Subject to Up-linking Policy notified by	<a href="#">PN 1 / 2006</a>

	such as up-linking, HUB, etc			Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	
e.	Up-linking a News & Current Affairs TV Channel	<b>26% FDI+FII</b>	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	<a href="#">PN 1 / 2006</a>
f.	Up-linking a Non-news & Current Affairs TV Channel	<b>100%</b>	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting <a href="http://www.mib.nic.in">www.mib.nic.in</a>	<a href="#">PN 1 / 2006</a>
8.	<b>Cigars &amp; Cigarettes-Manufacture</b>	<b>100%</b>	FIPB	Subject to industrial license under the Industries (Development & Regulation) Act, 1951	<a href="#">PN 4 / 2006</a>
9.	<b>Coal &amp; Lignite mining</b> for captive consumption by power projects, and iron & steel, cement production and other eligible activities permitted under the Coal Mines (Nationalisation) Act, 1973.	<b>100%</b>	Automatic	Subject to provisions of Coal Mines (Nationalization) Act, 1973 <a href="http://www.coal.nic.in">www.coal.nic.in</a>	<a href="#">PN 4 / 2006</a>
10.	<b>Coffee &amp; Rubber processing &amp; warehousing</b>	<b>100%</b>	Automatic		<a href="#">PN 4 / 2006</a>
11.	<b>Construction Development projects</b> , including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships.	<b>100%</b>	Automatic	Subject to conditions notified vide Press Note 2 (2005 Series) including: a. minimum capitalization of US\$ 10 million for wholly owned subsidiaries and US\$ 5 million for joint venture. The funds would have to be brought within six months	<a href="#">PN 2 / 2005</a> & <a href="#">PN 2 / 2006</a>

				<p>of commencement of business of the Company.</p> <p>b. Minimum area to be developed under each project- 10 hectares in case of development of serviced housing plots; and built-up area of 50,000 sq. mts. in case of construction development project; and any of the above in case of a combination project.</p> <p><b>[Note: For investment by NRIs, the conditions mentioned in Press Note 2 / 2005 are not applicable.]</b></p>	
12.	<b>Courier services</b> for carrying packages, parcels and other items which do not come within the ambit of the Indian Post Office Act, 1898.	<b>100%</b>	FIPB	<p>Subject to existing laws and exclusion of activity relating to distribution of letters, which is exclusively reserved for the State.</p> <p><a href="http://www.indiapost.gov.in">www.indiapost.gov.in</a></p>	<a href="#">PN 4 / 2001</a>
13.	<b>Defence production</b>	<b>26%</b>	FIPB	<p>Subject to licensing under Industries (Development &amp; Regulation) Act, 1951 and guidelines on FDI in production of arms &amp; ammunition.</p>	<a href="#">PN 4 / 2001</a> & <a href="#">PN 2 / 2002</a>
14.	<b>Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, aqua-culture, cultivation of</b>	<b>100%</b>	Automatic		<a href="#">PN 4 / 2006</a>

	<b>vegetables,, mushrooms, under controlled conditions</b> and services related to agro and allied sectors.				
15.	<b>Hazardous chemicals,</b> viz., hydrocyanic acid and its derivatives; phosgene and its derivatives; and isocyanates and di-isocyanates of hydrocarbon.	<b>100%</b>	Automatic	Subject to industrial license under the Industries (Development & Regulation) Act, 1951 and other sectoral regulations.	<a href="#">PN 4 / 2006</a>
16.	<b>Industrial explosives-</b> Manufacture	<b>100%</b>	Automatic	Subject to industrial license under Industries (Development & Regulation) Act, 1951 and regulations under Explosives Act, 1898	<a href="#">PN 4 / 2006</a>
17.	<b>Insurance</b>	<b>26%</b>	Automatic	Subject to licensing by the Insurance Regulatory & Development Authority <a href="http://www.irda.nic.in">www.irda.nic.in</a> .	<a href="#">PN 10 / 2000</a>
18.	<b>Investing companies in infrastructure / services sector (except telecom sector)</b>	<b>49%</b>	FIPB	Foreign investment in an investing company will not be counted towards sectoral cap in infrastructure /services sector provided the investment is up to 49% and the management of the company is in Indian hands.	<a href="#">PN 2 / 2000</a> & <a href="#">PN 5 / 2005</a>
19.	<b>Mining</b> covering exploration and mining of diamonds & precious stones; gold, silver and minerals.	<b>100%</b>	Automatic	Subject to Mines & Minerals (Development & Regulation) Act, 1957 <a href="http://www.mines.nic.in">www.mines.nic.in</a> Press Note 18 (1998) and Press Note 1 (2005) are not applicable for setting up 100% owned	<a href="#">PN 2 / 2000,</a> <a href="#">PN 3 / 2005,</a> & <a href="#">PN 4 / 2006</a>

				subsidiaries in so far as the mining sector is concerned, subject to a declaration from the applicant that he has no existing joint venture for the same area and / or the particular mineral.	
20.	<b>Non Banking Finance Companies- approved activities</b>				
i)	<b>Merchant banking</b>	<b>100%</b>	Automatic	Subject to:	<a href="#">PN 2 / 2000</a> , <a href="#">PN 6 / 2000</a> , & <a href="#">PN 2 / 2001</a>
ii)	<b>Underwriting</b>			a. minimum	
iii)	<b>Portfolio Management Services</b>			capitalization norms for fund based NBFCs - US\$ 0.5 million to be brought upfront for FDI up to 51%; US\$ 5 million to be brought upfront for FDI above 51% and up to 75%; and US\$ 50 million out of which US\$ 7.5 million to be brought upfront and the balance in 24 months for FDI beyond 75% and up to 100%.	
iv)	<b>Investment Advisory Services</b>			b. minimum capitalization norms for non-fund based NBFC activities- US\$ 0.5 million.	
v)	<b>Financial Consultancy</b>			c. foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities subject to bringing in Under Secretary 50 million without any restriction on number of operating	
vi)	<b>Stock Broking</b>				
vii)	<b>Asset Management</b>				
viii)	<b>Venture Capital</b>				
ix)	<b>Custodial Services</b>				
x)	<b>Factoring</b>				
xi)	<b>Credit Reference Agencies</b>				
xii)	<b>Credit Rating Agencies</b>				
xiii)	<b>Leasing &amp; Finance</b>				
xiv)	<b>Housing Finance</b>				
xv)	<b>Forex Broking</b>				
xvi)	<b>Credit card business</b>				
xvii)	<b>Money changing business</b>				
xviii)	<b>Micro credit</b>				
xix)	<b>Rural credit.</b>				



				<p>subsidiaries without bringing additional capital.</p> <p>d. joint venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities subject to the subsidiaries also complying with the applicable minimum capital inflow.</p> <p>e. compliance with the guidelines of the RBI.</p>	
21.	<b>Petroleum &amp; Natural Gas sector</b>				
a.	Other than Refining and including market study and formulation; investment/ financing; setting up infrastructure for marketing in Petroleum & Natural Gas sector.	<b>100%</b>	Automatic	Subject to sectoral regulations issued by Ministry of Petroleum & Natural Gas; and in the case of actual trading and marketing of petroleum products, divestment of 26% equity in favour of Indian partner/public within 5 years. <a href="http://www.petroleum.nic.in">www.petroleum.nic.in</a>	<a href="#">PN 1 / 2004</a> & <a href="#">PN 4 / 2006</a>
b.	Refining	<b>26% in case of PSUs</b>  <b>100% in case of Private companies</b>	FIPB (in case of PSUs)  Automatic (in case of private companies)	Subject to Sectoral policy <a href="http://www.petroleum.nic.in">www.petroleum.nic.in</a>	<a href="#">PN 2 / 2000</a>
22.	<b>Print Media-</b>				
a.	Publishing of <b>newspaper and periodicals</b> dealing with news and	<b>26%</b>	FIPB	Subject to Guidelines notified by Ministry of Information &	

	current affairs			Broadcasting. <a href="http://www.mib.nic.in">www.mib.nic.in</a>	
b.	<b>Publishing of scientific magazines/ specialty journals/ periodicals</b>	<b>100%</b>	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting. <a href="http://www.mib.nic.in">www.mib.nic.in</a>	<a href="#">PN 1 / 2004</a>
23	<b>Power</b> including generation (except Atomic energy); transmission, distribution and Power Trading.	<b>100%</b>	Automatic	Subject provisions of the Electricity Act, 2003 <a href="http://www.powermin.nic.in">www.powermin.nic.in</a>	PN 2 / 1998, <a href="#">PN / 7 2000</a> , & <a href="#">PN 4 / 2006</a>
24.	<b>Tea Sector</b> , including tea plantation	<b>100%</b>	FIPB	Subject to divestment of 26% equity in favour of Indian partner/Indian public within 5 years and prior approval of State Government for change in land use.	<a href="#">PN 6 / 2002</a>
25.	<b>Telecommunication</b>				
a.	Basic and cellular, Unified Access Services, National/International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS) and other value added telecom services	<b>74%</b> (Including FDI, FII, NRI, FCCBs, ADRs, GDRs, convertible preference shares, and proportionate foreign equity in Indian promoters/ Investing Company)	Automatic up to 49%. FIPB beyond 49%	Subject to guidelines notified in the PN 5 / 2005 Series	<a href="#">PN 5 / 2005</a>
b.	ISP with gateways, radio-paging, end-to-end bandwidth.	<b>74%</b>	Automatic up to 49%. FIPB beyond 49%	Subject to licensing and security requirements notified by the Department of Telecommunications <a href="http://www.dotindia.com">www.dotindia.com</a>	<a href="#">PN 4 / 2001</a>

c.	ISP without gateway, infrastructure provider providing dark fibre, electronic mail and voice mail	<b>100%</b>	Automatic up to 49%.  FIPB beyond 49%	Subject to the condition that such companies shall divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world. Also subject to licensing and security requirements, where required.  <a href="http://www.dotindia.com">www.dotindia.com</a>	<a href="#">PN 9 / 2000</a>
d.	Manufacture of telecom equipments	<b>100%</b>	Automatic	Subject to sectoral requirements.  <a href="http://www.dotindia.com">www.dotindia.com</a>	<a href="#">PN 2 / 2000</a>
26.	<b>Trading</b>				
a.	Wholesale / cash & carry trading	<b>100%</b>	Automatic	Subject to guidelines for FDI in trading issued by Department of Industrial Policy & Promotion vide Press Note 3 (2006 Series).	<a href="#">PN 4 / 2006</a>
b.	Trading for exports	<b>100%</b>	Automatic		
c.	Trading of items sourced from small scale sector	<b>100%</b>	FIPB		
d.	Test marketing of such items for which a company has approval for manufacture	<b>100%</b>	FIPB		
e.	Single Brand product retailing	<b>51%</b>	FIPB		
27.	<b>Satellites Establishment and operation</b>	<b>74%</b>	FIPB	Subject to Sectoral guidelines issued by Department of Space / ISRO  <a href="http://www.isro.org">www.isro.org</a>	
28.	Special Economic Zones and Free Trade Warehousing Zones covering setting up of these Zones and setting up units in the Zones	<b>100%</b>	Automatic	Subject to Special Economic Zones Act, 2005 and the Foreign Trade Policy.  <a href="http://www.sezindia.nic.in">www.sezindia.nic.in</a>	<a href="#">PN 9 / 2000</a> ; <a href="#">PN 2 / 2006</a> ; & <a href="#">PN 4 / 2006</a>

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